



# Town of Lunenburg

## Financial Forecast Presentation

December 12, 2013

# [ Why Forecast? ]

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- Best Financial & Management Practices
- Required by Town's Charter, Section 4-2 (s)
- Bond Rating Agencies look favorably upon communities that annually prepare a forecast document.

# [ Forecasting v. Budgeting ]

- Forecast provides a long-term and comprehensive financial perspective on service delivery using both known information & hypothesis (assumptions)
- Budget is a specific plan detailing service delivery in the coming fiscal year

# Goals of Forecasting

- Gain a Long-term perspective/ basis for planning
- Determine whether fiscal problems are on the horizon
- Time to plan for change, favorable or unfavorable
- Reinforce the need for long-range considerations during the annual budget process

# [Forecasting- Key Concepts]

- Projections are not inalterable prophecies, but merely guidelines which may be adjusted as necessary
- Once you develop baseline projections, it's relatively easy to adjust the underlying assumptions to address issues
- Forecasted shortfall does imply that some action will be taken, or at least planned, to avoid the financing problem
  - Action to balance the budget
  - Raise revenue; Reduce expense; Change the way you do business

# [Forecasting Guides & Tools]

- MGL, Town Bylaws, other Generally Accepted Standards
- Financial Policies
- Trends Analysis
- Debt Service Schedules
- Union Contracts
- Assumptions

# MGL, Town Bylaws, or other Generally Accepted Standards

- MGL governs labor, employee benefits, & requires delivery of certain services
- Town Bylaws require delivery of certain services; enforcement of bylaws
- GAAP/ GASB standards, min. manning standards, etc.
- Net School Spending
- Library Certification to receive State Aid
- What about other services that aren't mandated? Are they any less important? COA, Public Safety, DPW

# [ Financial Policies ]

- Financial Management Policies & Objectives adopted by the Board of Selectmen July 2004
- Address:
  - Operating budgets vs. Capital Program
  - Free Cash
  - Stabilization Fund
  - Borrowing



# Trends Analysis

- Financial Trend Monitoring Report
- Evaluates Financial Condition, through analysis of indicators.
  - Indicators identify the factors that affect financial condition and arranges them to facilitate analysis and measurement
- Review of last 5 years worth of data [10 years]
- Forecasting relies heavily on trends analysis as overall trends are generally linked together
- Should be updated & expanded if possible, on an annual basis

# [ Union Contracts ]

- IBPO, Police 2016
- Various School [Teachers] 2014
- IAFF, PFFM, Fire 2014
- AFSCME, Clerical 2014
- IUONA, Public Works (2) 2012, 2013

# Assumptions for Financial Forecast- FY2015 - 2019

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- Service Levels
- Future of the local economy
- Revenue structure
- Cost of services

**A detailed list of assumptions is provided in the packet**

# [ Assumptions- Service Levels ]

- Forecast document will adhere to adopted financial policies- Stabilization Fund & Capital Expenditures (inc. debt service)
- Forecast document will honor all contractual obligations, such as debt service schedules and union contracts

# Assumptions- Future of the Economy

- No basis for assuming that the economy will change significantly during the life of the forecast
- Some growth in Local Receipts
- Some concern over the level of State Aid
- Some New Growth

# Assumptions- Revenue

## ■ Revenues

- **Property Tax-** 2 ½% increase, exempt debt down \$120k over life of forecast
- **State Aid-** next slide
- **Available Funds-** no use of Stabilization Fund to fund operating costs; Free Cash to increase Stabilization Fund, if available
- **Local Receipts-** No growth in FY15; assume 2.0%; except Meals Tax at 2.5%
- **Enterprise Revenue-** will continue to fully fund enterprise operations

# [ Assumptions- State Aid ]

## ■ Consensus Revenue Hearing- 12/11/13

- Strong revenue/ above benchmark, both Sales & Income Tax- consumer confidence and/ or pent up demand?
- Cyber Monday sales up 21%
- Amazon.com sales tax, 7 months of FY2014
- Revising Net Profit of Lottery up \$20M; No increase in FY15
- Not much concern over Casino projects; Lottery generates 3 times the Net Profit of the 4 casino projects (15,000 jobs)
- State Stabilization Fund; 3<sup>rd</sup> largest in country; \$1.557B
  - State Treasurer looking to increase fund
- State's Bond Rating AA+
- State Treasurer, "A Tale of Two Commonwealths"
  - Cuts in Social Service/ Mental Health Programs

# [ Assumptions- Revenue ]

- Looking at a period of very modest revenue growth- about 2% per year
- Too early to project much growth in State Aid, though we should see Lottery Aid return to prior levels
- Local Receipts- No big projects imminent



# Assumptions- avg. annual increase 2.8%

- FY2014 Service Levels; 4 day schedule for Administration & Land Use Offices; COA on 4 day schedule
- Increase Library funding to maintain certification
- LPS funding up 3.5% to account for increased SPED Tuitions; Insurances. \$564k
- Monty Tech Assessment up 3.5% to account for Insurances & Transportation + FY14 Additional Assessment. \$25k + \$49k (will try to cover in FY13)
- No increase in service level in Public Safety or Public Works, other than
- Increased funding for Pavement Management System each year; absorb payoff of non-exempt debt
- Health Insurance- 6% for active; 4% for retiree; overall savings of \$100k due to full year of plan design change
- Retirement Assessment- unofficial assessment up \$105k
- Capital Plan- increase estimate from \$500k to \$750k
- Maintain Stabilization Fund at 5%; requires annual deposit

# [Assumptions Produce Deficit]

- Average Revenue increase is 2.0% per year
- Average Expenditure increase is 2.8% per year

■ <u>Fiscal Year</u>	<u>Deficit</u>
■ 2015	\$ 549,904
■ 2016	\$ 695,565
■ 2017	\$ 897,916
■ 2018	\$1,149,690
■ 2019	\$1,317,116

# Health Insurance- (does not include LPS)

	Count	Total Premium	Town Employer Share	Town Monthly Cost
<b>Active</b>				
HMO Blue, Single	17	\$624.56	\$468.42	\$ 7,963.17
HMO Blue, Family	32	\$1,642.58	\$1,231.93	\$ 39,421.82
Blue Care Elect Preferred, Single	2	\$765.45	\$574.09	\$ 1,148.17
Blue Care Elect Preferred, Family	3	\$2,013.10	\$1,509.82	\$ 4,529.47
Active Sub-Total:	54			\$ 53,062.64
	Count	Total Premium	Town Monthly Cost	Town Annual Cost
<b>Retired</b>				
HMO Blue, Single	35	\$624.56	\$468.42	\$ 16,394.77
HMO Blue, Family	14	\$1,642.58	\$1,231.93	\$ 17,247.05
Blue Care Elect Preferred, Single	3	\$765.45	\$574.09	\$ 1,722.26
Blue Care Elect Preferred, Family	4	\$2,013.10	\$1,509.82	\$ 6,039.30
MedEx 2, Blue Medicare Rx	9	\$287.80	\$143.90	\$ 1,295.10
Medicare HMO	3	\$256.64	\$192.48	\$ 577.44
Managed Blue for Seniors	138	\$247.27	\$185.45	\$ 25,592.49
Medicare, Part B	150	\$114.92	\$86.19	\$ 12,928.50
Medicare Penalty			\$ 2,431.80	\$ 2,431.80
Retiree Sub-Total:	206			\$ 84,228.69
total count:	260		total monthly cost:	\$ 137,291.33
			total annual:	\$1,647,496.02
Monthly Enrollment Y-T-D FY14 is 245 to 255				

# [ Making the Case for Roads ]



# Making the Case for Roads

## ■ Funding for Pavement Management

- Accepted Plan calls for \$1M per year
- Deferred maintenance on roads impact useful life of all vehicles & equipment; buses; USPS
- Transfer budgetary savings from retired non-exempt debt to fund pavement management projects

FY	State	Local	Total
2012	\$ 426,148	\$ -	\$ 426,148
2013	\$ 424,050	\$ -	\$ 424,050
2014	\$ 422,130	\$ 107,215	\$ 529,345
2015	\$ 420,000	\$ 125,000	\$ 545,000
2016	\$ 420,000	\$ 150,000	\$ 570,000
2017	\$ 420,000	\$ 250,000	\$ 670,000
2018	\$ 420,000	\$ 400,000	\$ 820,000
2019	\$ 420,000	\$ 400,000	\$ 820,000

# Making the Case for Capital

<b>FY 2015 CAPITAL REQUESTS</b>						
<b>12/11/13 Preliminary Prioritization</b>						
<b>DEPARTMENT</b>	<b>ITEM TOTAL</b>	<b>CPC PRI 1</b>	<b>C P C PRI 2</b>	<b>C P C PRI 3</b>	<b>OVERALL PRIORITY</b>	<b>COMMENTS</b>
School Asbestos	\$ 138,000.00	X			1	
Fire Dept - Engine 1	\$ 550,000.00	X			2	
Police Dept - Radio infrastructure	\$ 40,000.00	X			3	
marked police vehicle	\$ 46,000.00	X			4	
Public Safety Building - epoxy floors	\$ 12,000.00	X			5	
Police Dept - rifles, shotguns, shield	\$ 14,000.00	X			6	
School Dept - upgrade control system	\$ 14,000.00	X			7	
Tech - Town	\$ 25,000.00	X			8	
Tech - School	\$ 40,000.00	X			9	
Senior Center Carpeting	\$ 10,000.00	X			10	
Fire Dept - Car 2	\$ 30,000.00		X		11	
DPW - Asphalt Roller	\$ 35,000.00		X		12	
Marshall Park Parking Lot	\$ 37,000.00		X		13	
Senior Center HVAC Repairs	\$ 15,798.00		X		14	
Technology - Town	\$ 14,400.00		X		15	
Technology - School	\$ 25,000.00		X		16	
DPW - Street Sweeper	\$ 180,000.00			X	17	
Senior Center sprinkler	\$ 11,430.00			X	18	
Library Carpet	\$ 36,524.00			X	19	
Town Hall Painting	\$ 40,000.00			X	20	
Ritter -HVAC	\$ 20,000.00			X	21	
Shade Structure - THMS	\$ 41,766.00			X	22	
Police Dept - Speed Sign w/recording	\$ 17,900.00			X	23	
		<b>\$ 889,000.00</b>	<b>\$ 157,198.00</b>	<b>\$ 347,620.00</b>		
<b>GRAND TOTAL</b>	<b>\$ 1,393,818.00</b>					

# [Forecast- Next Steps]

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- Continued discussion of Assumptions
- Investigate & Finalize Cost Savings Measures and/or Revenue
  - Towing Revenue, Ambulance Fees
  - Regional Lock Up, Regional Animal Control
  - Other
- Begin review of FY2015 Budget
  - Town Manager's Recommendation 02/15
    - Target & Above Target
  - BOS & FinCom Review March – April
  - Annual Town Meeting- May 3, 2014